

**Dairy Goat Marketing Study:
Findings from the Van Erden Group**

**1) AN INDEPENDENT ENTRY INTO THE
FLUID GOAT MILK MARKET IS NOT
RECOMMENDED BECAUSE OF MAJOR
BARRIERS TO SUCCESS.**

- THE FLUID GOAT MILK MARKET IS AN EXTREMELY SMALL ONE, WITH LITTLE GENERAL DISTRIBUTION IN THE U.S.
- THE MARKET FOR GOAT MILK IS DOMINATED BY ONE COMPANY- MEYENBERG- AND THEY HAVE ESTIMATED SALES OF FLUID GOAT MILK OF LESS THAN \$10 MILLION.
- ANY NEW ENTRY WOULD NEED EITHER TO DISPLACE MEYENBERG FROM ITS CURRENT OUTLETS OR OPEN THOSE THAT CURRENTLY DON'T CARRY GOAT MILK, EITHER ONE OF WHICH WOULD BE A DIFFICULT TASK.
- ADDITIONAL BARRIERS TO COMPETING WITH MEYENBERG ARE THAT THEY CARRY BOTH CANNED AND POWDERED PRODUCT, SO THEY CAN OFFER A COMPLETE LINE TO THE RETAILER. ALSO, THEY ULTRAPASTEURIZE THEIR MILK, GIVING IT A 64-DAY SHELF LIFE, AND HAVE A 100% BUYBACK PROGRAM, BOTH KEY ELEMENTS FOR A LOW TURN ITEM.

2) WE RECOMMEND INVESTIGATING A PARTNERSHIP WITH MEYENBERG AS A POTENTIAL ENTRY POINT INTO THE FLUID GOAT MILK MARKET.

-WHILE NUMEROUS FACTORS PREVENT THE KENTUCKY INDUSTRY FROM ENTERING THE MARKETPLACE BY ITSELF, MAY BE POSSIBLE TO DEVELOP AN ENTRY INTO FLUID MILK BY PARTNERING WITH THE ONLY MAJOR COMPANY IN THE MARKET.

-MEYENBERG IS SEEING ITS FLUID SALES GROW, AND IS MOVING PRODUCT INTO RETAIL OUTLETS ON THE EAST COAST. BUT IT HAS FOUND THAT TRANSPORT COSTS FROM THE WEST COAST MAKE THE FINAL RETAIL PRICE EXTREMELY HIGH.

-IN THE PAST, THEY HAVE CONSIDERED DEVELOPING AN OPERATION IN THE EAST TO SERVICE THOSE MARKETS.

-KENTUCKY CAN OFFER THEM WHAT THEY WOULD NEED TO HAVE A SUCCESSFUL OPERATION TO SERVICE EASTERN MARKETS- A HERD OF SUFFICIENT SIZE TO SUPPLY A PLANT, PROXIMITY TO THE LARGE EAST COAST MARKETS, EXCELLENT INTERSTATES AND ECONOMIC INCENTIVES FOR NEW BUSINESSES.

-WE RECOMMEND THAT CONTACT BE MADE WITH MEYENBERG DETERMINE THE POTENTIAL OF A PARTNERSHIP THAT CAN BENEFIT BOTH THEM AND THE KENTUCKY DAIRY GOAT INDUSTRY.

3) THERE IS A MARKET-SIDE OPPORTUNITY FOR A COMMERCIAL GOAT CHEESE INDUSTRY IN THE STATE, BUT THERE ARE SEVERAL ISSUES TO BE ADDRESSED FOR THIS TO BE SUCCESSFUL.

- THE GOAT CHEESE INDUSTRY APPEARS TO BE ONE WHERE A NEW ENTRY CAN BE SUCCESSFUL.
- INDUSTRY IS NOT DOMINATED BY ONE OR MORE MAJOR ENTITIES.
- DOMESTIC PRODUCTION LAGS DEMAND, WITH ABOUT HALF OF PRODUCT CONSUMED BEING IMPORTED.
- THERE ARE SEVERAL DOMESTIC COMMERCIAL ENTRIES THAT HAVE BEEN SUCCESSFUL.

-KENTUCKY ELEMENTS FOR SUCCESS-

PRODUCTION FACILITY- A CENTRALIZED PLANT IS KEY TO ANY POTENTIAL ENTRY. COST COULD BE LESSENED BY ACQUIRING AN EXISTING FACILITY.

INDUSTRY ORGANIZATION- THE KENTUCKY DAIRY GOAT INFRA-STRUCTURE HAS SUFFERED DUE TO LACK OF MARKETS. A STRONG ORGANIZATION WITH ENOUGH MEMBERS AND MILK SUPPLY IS ESSENTIAL.

CHEESEMAKER- SINCE GOAT CHEESE IS A GOURMET PRODUCT, EXTREMELY HIGH QUALITY IS KEY TO SUCCESS. ANY VENTURE WOULD NEED TO EMPLOY A SKILLED CHEESEMAKER.

MARKETING AND SALES-AS WITH ANY PRODUCT, THE ABILITY TO FIND AND SELL TO THE APPROPRIATE MARKETS IS ESSENTIAL AS WELL. ANY COMMERCIAL CHEESE OPERATION WOULD NEED A DEDICATED SALES AND MARKETING FUNCTION.

PRODUCT TYPES-THERE ARE SEVERAL INDICATIONS THAT A NEW ENTRY FEATURING A SOFT CHEESE WOULD FIND IT DIFFICULT TO DEVELOP A MARKET. AT THE SAME TIME, THERE APPEARS TO BE A LACK OF HARD GOAT CHEESES, WHICH ARE IN DEMAND IN THE MARKETPLACE. WE WOULD RECOMMEND THAT ANY ENTRY FOCUS HEAVILY ON DEVELOPING HARD CHEESES, THOUGH SOFT CHEESES COULD BE PRODUCED AS WELL.

THERE IS AN OPPORTUNITY TO DEVELOP FARMSTEAD GOAT CHEESE OPERATIONS THAT CAN BE SUCCESSFUL.

-THERE ARE NUMEROUS FARMSTEAD GOAT CHEESE OPERATIONS THROUGHOUT THE COUNTRY THAT ARE SUCCESSFUL IN MARKETING LOCALLY AND REGIONALLY.

-A FARMSTEAD OPERATION MAKES AND MARKETS CHEESE FROM ITS OWN HERD ENTIRELY. SALES ARE THROUGH ON-FARM RETAIL STORES, RESTAURANTS, WINERIES, FARMERS MARKETS, AND A VARIETY OF OTHER OUTLETS.

-KENTUCKY ELEMENTS FOR SUCCESS-

-COMMITMENT- A FARMSTEAD OPERATION REQUIRES THAT PRODUCERS NOT ONLY TEND AND MILK THEIR OWN HERD, BUT BE CHEESEMAKERS AS WELL. THIS REQUIRES A SIGNIFICANT LEVEL OF COMMITMENT TO BE SUCCESSFUL.

-TRAINING-THERE ARE FEW TRAINED CHEESEMAKERS IN KENTUCKY, AND NO WAY FOR A PROSPECTIVE FARMSTEAD PRODUCER TO BE TRAINED. WE WOULD RECOMMEND THAT TRAINING THROUGH THE WISCONSIN SYSTEM OR NATIONAL CHEESE SOCIETIES BE EXPLORED AS OUR TRAINING OPTIONS.

-ENTRY COSTS-THE COST OF ENTERING A FARMSTEAD OPERATION CAN BE PROHIBITIVE, PARTICULARLY IF A COMMERCIAL PASTEURIZER IS NECESSARY. WE WOULD RECOMMEND PURSUING A PROGRAM SIMILAR TO THAT OF THE SMALL DAIRY PROJECT. THIS PROGRAM ALLOWS A PRODUCER TO BORROW A PASTEURIZER OR OTHER AT LITTLE OR NO COST FOR 6 MONTHS, AFTER WHICH THEY HAVE THE OPTION TO EITHER RETURN THE EQUIPMENT OR BUY OR LEASE IT.